

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-01

INR-07 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05

IO-10 STR-01 /110 W

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FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 2087

INFO AMEMBASSY BRASILIA

AMEMBASSY LONDON

AMEMBASSY SAN SALVADOR

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E.O. 11652: N/A

TAGS: ETRD, BR

SUBJECT: RECENT COFFEE DEVELOPMENTS

1. RECENT PRESS ARTICLES REPORT THAT BRAZILIAN COFFEE INSTITUTE (IBC) PROJECTS BRAZIL'S 1975 COFFEE CROP AT ABOUT 20 MILLION BAGS, I.E., A SIGNIFICANT DROP FROM ESTIMATED 1974 HARVEST OF 27.3 MILLION BAGS. REDUCTION ATTRIBUTED TO NORMAL ANNUAL PATTERN OF FLUCTUATIONS IN WHICH ABUNDANT HARVESTS ALTERNATE WITH SMALLER CROPS. PRIVATE TRADERS EXPRESS NO SURPRISE AT IBC FORECAST, BUT CLAIM THAT FUTURE UPWARD REVISION IS LIKELY AS CROP YEAR PROGRESSES. A FEW TRADERS ASSERT THAT FORECASTING IS EXTREMELY DIFFICULT THIS YEAR BECAUSE OF: 1) CONTRASTING SITUATIONS IN DIFFERENT GEOGRAPHICAL AREAS, SOME BEING VERY GOOD AND SOME BEING RELATIVELY POOR; 2) INSUFFICIENT RAIN FALL IN CERTAIN COFFEE AREAS; AND 3) UNCERTAIN PRODUCTION CAPACITY OF YOUNG TREES THAT WERE

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PLANTED DURING 1969/1971.

2. PRESS REPORTS CLAIM IBC PRESIDENT CAMILO CALAZANS STATED THAT COFFEE PRODUCERS WOULD BE UNREALISTIC IF THEY ATTEMPTED TO CREATE PRODUCER CARTEL, SUCH AS THAT ESTABLISHED BY OPEC, TO CONTROL COFFEE SUPPLIES AND PRICES. UNLIKE PETROLEUM, HE REPORTEDLY STATED, COFFEE IS NOT AN ESSENTIAL ITEM AND A NUMBER OF CONSUMER COUNTRIES HAVE REDUCED THEIR COFFEE IMPORTS IN ORDER TO HELP EQUILIBRATE THEIR BALANCE OF PAYMENTS. AS A RESULT, PRODUCERS' ATTEMPTS IN LONDON TO ESTABLISH AN ORGANIZATION SIMILAR TO OPEC ARE ABSOLUTELY UNWORKABLE. CALAZANS ALLEGEDLY URGED THAT PRODUCERS RECOGNIZE THIS SITUATION AND, AT THEIR MID-FEBRUARY MEETING IN EL SALVADOR, ATTEMPT TO ALIGN THEIR EFFORTS WITH REALITIES OF CURRENT INTERNATIONAL MARKET. HE REPORTEDLY SAID THAT PRODUCER/CONSUMER MEETINGS IN LONDON ARE PROCEEDING EFFECTIVELY, ATTRIBUTING THE DELAY IN REACHING AN AGREEMENT TO BUREAUCRATIC DIFFICULTIES IN THE INDIVIDUAL PARTICIPATING COUNTRIES.

3. COMMENT: IBC'S RELATIVELY LOW PROJECTION FOR 1975 CROP MAY SIMPLY REFLECT PATTERN ESTABLISHED IN RECENT YEARS IN WHICH FORECASTS MADE EARLY IN YEAR ARE SUBSEQUENTLY INCREASED AS HARVEST APPROACHES. TRADERS, HOWEVER, ARE NOTICEABLY LESS BULLISH IN THEIR CROP EXPECTATIONS THAN TWO TO THREE MONTHS AGO. THIS ATTITUDINAL CHANGE MAY REFLECT THEIR COMMERCIAL INTERESTS AS MUCH AS, IF NOT MORE THAN, ACTUAL PRODUCTION POSSIBILITIES. THEY MAY HAVE TAKEN ADVANTAGE OF LOW DOMESTIC PRICES TO ACCUMULATE SIGNIFICANT COFFEE STOCKS AND MAY HOPE THAT PROJECTIONS OF A REDUCED CROP WILL HELP BOLSTER INTERNATIONAL MARKET PRICES, WHICH APPARENTLY HAVE FALLEN MORE PRECIPITOUSLY THAN THEY HAD ANTICIPATED.

4. EMBASSY BRASILIA CONCURS WITH THIS MESSAGE.
MILLER

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